USPS-RT-19

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 1997	Docket No. R97–1

REBUTTAL TESTIMONY
OF
KIRK T. KANEER
ON BEHALF OF
UNITED STATES POSTAL SERVICE

CONTENTS

DIRECT TESTIMONY
OF
KIRK T. KANEER

AUTOBIOGRAPHICAL SKETCH

I, Kirk T. Kaneer, am employed by the Postal Service as an economist in Pricing, a position I have held since 1992. My current duties are to aid in the development of pricing models and calculations for use in domestic rate design. I was the rate witness for Classroom mail in Docket No. MC96-2, and for Periodicals Nonprofit and Classroom mail in this Docket.

Before working in Pricing, I served in the Labor Economics Research Division as an economist involved in labor negotiations. Prior to coming to the Postal Service in 1988, I worked at the Bureau of Labor Statistics (BLS), Office of Prices and Living Conditions, Consumer Expenditure Surveys Research Division, from 1983 to 1988. While employed at BLS, I published an article entitled: *Distribution of Consumption by Aggregate Expenditure Share*, MONTHLY LABOR REVIEW, 109(2), 50-53, April 1986.

In 1982, I received a Master of Science degree in Economics from Florida State University in Tallahassee, Florida. In 1978, I received a Bachelor of Science Degree with double majors in Economics and Business Administration from the University of Central Florida in Orlando, Florida.

I. PURPOSE

This testimony presents rebuttal to Office of the Consumer Advocate (OCA) witness Callow's testimony (OCA-T-500, starting at Tr. 23/12274), which proposes a Cost Ascertainment Group (CAG) based fee structure as well as an alternative cost allocation methodology for post office box service.

The Postal Service recognizes and shares witness Callow's objectives of better aligning costs and fees, and eventually dropping fee distinctions between city and non-city delivery facilities. The current post office box (PO box) fee structure, as established in the DMCS and defined in the DMM § D910, is based primarily on delivery options, and therefore limits the ability to align fees with costs and changing public need. These drawbacks of the existing fee structure have been examined in this and previous Commission dockets. Furthermore, the Postal Service is developing improved means of tracking PO box activity, using information technology, which should provide information that permits a better alignment of post office box fees and costs.

The Postal Service is reviewing how best to re-define post office box fee groups. That review extends to an evaluation of the shortcomings of witness Callow's proposals. Moreover, some determinations regarding how to improve the DMM and witness Callow's fee group definitions have been made.[1] This testimony accordingly addresses the shortcomings of witness Callow's proposals in one section, and later introduces how the Postal Service expects to re-define

fee groups. To illustrate the Postal Service's long term plans, this testimony also identifies a few facilities which might change their fee groups as part of any implementation of new rates, fees, and classifications that may be recommended by the Commission in this docket.

A detailed analysis of witness Callow's proposal reveals that it does not substantially improve the association between costs and fees of post office box service. Moreover, his proposal introduces undesirable cost and fee relationships. Still, the positive aspects of witness Callow's arguments are considered in the context of impending postal plans for re-designing the post office box fee structure in a way that will better align post office box fees with their costs while advancing the goals of the nine ratemaking criteria.

[1] Because the Postal Service's proposal in this docket moves fees in the direction needed to pursue fee re-definition, and because of the need to avoid fee shock, a full determination of how to re-define fee groups is neither necessary nor appropriate at this time.

II. REVIEW OF OCA WITNESS CALLOW'S CAG-BASED FEE STRUCURE

This section begins with a brief description of witness Callow's proposed changes to the current PO box fee structure. The Postal Service agrees with his goal of eventually dropping distinctions between city and non-city facilities within the fee structure, and his overall objective of aligning fees better with costs; however, the Postal Service does not agree with witness Callow's use of CAG to define fee groups.

Witness Callow proposes six temporary fee subgroups within the Postal Services's existing post office box fee structure -- three fee subgroups within current Group C, and three within current Group D (OCA-T-500 at 3, lines 1-8; Tr. 23/12280).

The fee subgroups are denoted as :

C-I = City Delivery Offices, CAGs A through D,

C-II = City Delivery Offices, CAGs E through G,

C-III = City Delivery Offices, CAGs H through L,

D-I = Non-city Delivery Offices, CAGs A through D,

D-II = Non-city Delivery Offices, CAGs E through G,

D-III = Non-city Delivery Offices, CAGs H through L.

Witness Callow asserts that his proposed groups increase rent homogeneity. Tr. 23/12293. Witness Callow does not propose structural changes for fee groups A and B, nor does he consider any alternatives to using CAG as the basis for office groupings. Tr. 23/12356 (response to USPS/OCA-T500-1).

Witness Callow proposes that after two more fee changes these six fee subgroups be collapsed into three that lack the city delivery and non-city delivery distinctions. Tr. 23/12265. As explained below, the Postal Service believes a true cost-based fee structure has many advantages over witness Callow's CAG, or revenue-based, fee structure.

III. WITNESS CALLOW'S PROPOSED FEE STRUCTURE RELIES ON INCONSISTENT CAG AND COST RELATIONSHIPS

There are many inconsistencies between costs and fees in witness Callow's proposal, the root cause of which is the erroneous assumption that CAG and PO box costs are strongly correlated. If the relationships between CAG and PO box costs were strong, then individual facilities with similar PO box costs would be grouped together in each CAG group, and the range of PO box costs within each CAG-based grouping would not substantially overlap that of another. Since CAG is a measure of revenue from mail flowing into the postal network of facilities, Tr. 23/12283-84, while PO boxes are examples of delivery points through which mail flows out of the network, and since there is little inherent reason to expect that large, cost-driven mailers would locate themselves where PO box cost are highest, there are *a priori* reasons to expect that CAG and PO box cost are **not** strongly correlated.

There is a weak correlation between PO box costs and CAG, although as indicated in witness Callow's testimony and the Docket No. R90-1 library reference to which he points, F-183, this is more of an accident of demographics

than any inherent relationship. This is consistent with the fact that the costs for facilities within each CAG group exhibit wide variation about their respective averages. *See* Tr. 23/12393.

Callow's effective reliance upon CAG as a proxy for PO box costs also causes the fees he proposes to increase rather than decrease the gap between fees for some city and non-city delivery facilities, contrary to both Callow's and the Postal Service's espoused goal. The current annual city (Group C) fee is $40, while the non-city fee is $12, for a difference of $28. While the Postal Service's proposal would reduce this difference to $27, Callow proposes a box size one fee of $56 for his proposed group C-I and a $24 fee for his group D-I, for a difference of $32. (*see* Tr. 23/12338-12339).

Witness Callow tries to justify his fee group restructuring by arguing that current fee groups C and D would better reflect PO box costs if they were further defined into subgroups based on CAG. However, he attempts to demonstrate a strong relationship between PO box costs and CAG-based solely on a comparison of the cost averages for his CAG grouping. Tr. 23/12293-94.

Callow's excessive reliance on simple averages is demonstrated by comparing cost variations within and between his proposed CAG-based fee groups. Callow's within fee group variations are much larger than the variations between his group averages, Tr. 23/12393 (response to USPS/OCA-T500-28(g) at 1) -- indicating that his proposed fee groups are not strongly associated.

The large, overlapping variations in costs within his proposed fee groups, which Callow ignores, lead to grouping together facilities that have drastically

different rental costs based simply on similar revenue for those facilities. Facilities with very high and very low rental costs populate each of witness Callow's fee groups. For example, Temple Heights Station in Washington DC has a rental cost of $32 per square foot, while West Los Angeles Station, California has a rental cost of only $2.38 per square foot – yet both are CAG A facilities. Under witness Callow's proposal, PO boxes in both of these facilities would be grouped together and pay identical fees.

Callow's response to USPS/OCA-T500-5, indicating that the maximum rental cost for each of CAGs A through G for city facilities is between $33 and $36, confirms inconsistencies in costs and CAG. He also confirms that the maximum rental costs for CAGs E through L are between $17 and $18, while the maximum for CAGs B through D is lower, between $9 and $14. Tr. 23/12360. Each of these counterintuitive findings refutes the existence of any strong relationship between CAG and PO box costs.

The very low degree of association between CAG and rental cost per square foot is evident in the attachment to witness Callow's response to USPS/OCA-T-500-28(g), where he shows that the average rental cost per square foot for each of his new fee groups (CI, CII, CIII, DI, DII, and DIII), 9.07, 6.88, 4.96, 7.24, 7.30, and 5.84, respectively, lie within the broad ranges of each of the CAG-based fee groups. Tr. 23/12393.

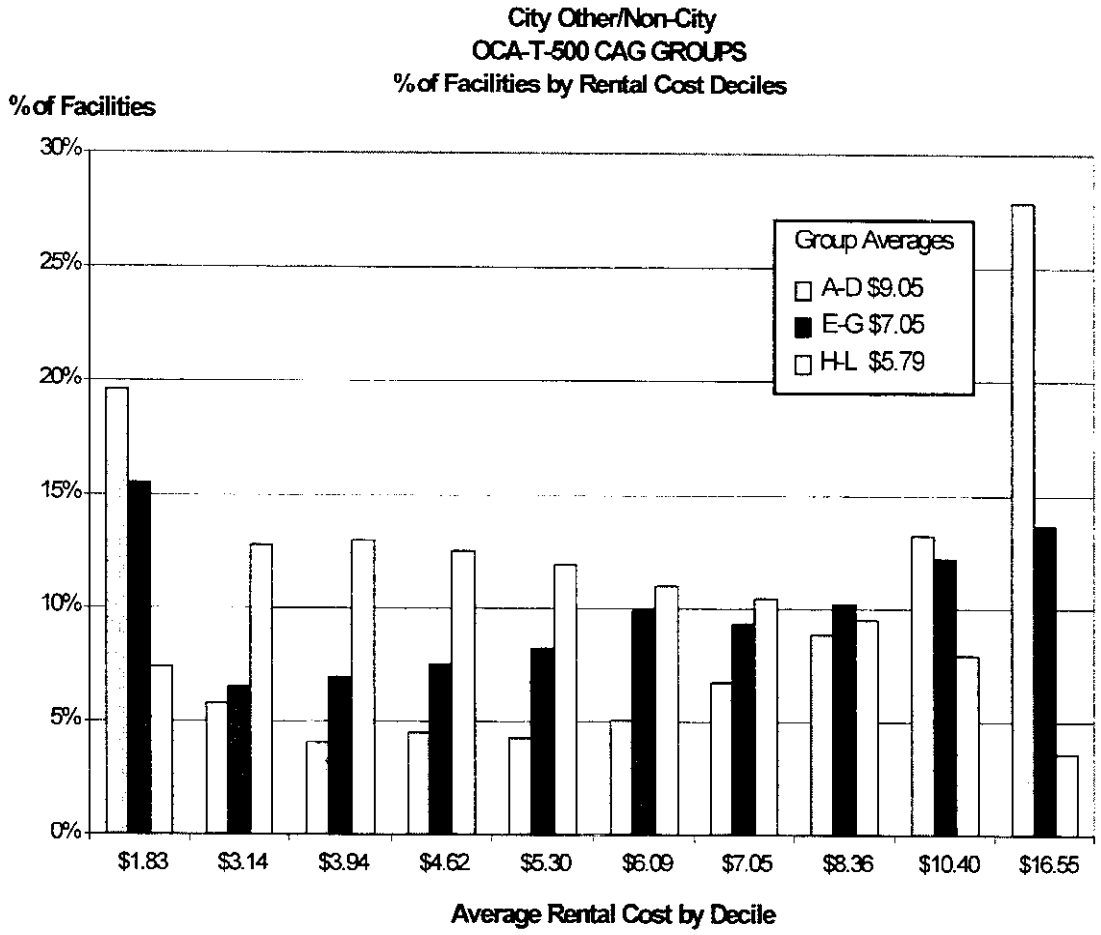
Witness Callow also confirms inconsistencies between his CAG-based average rental cost for city-other and non-city delivery facilities. In his response to USPS/OCA-T500-4 (a), Callow confirms that the two highest non-city rental

cost averages, displayed in Table 2 of his testimony, are for CAGs E and F. Tr. 23/12359. If rental costs are related to CAG, the highest rental costs should be observed for CAGs A and B -- not CAGs E and F.

The substantial degree of rental cost overlap among the CAGs, and the consequent lack of cost homogeneity in Callow's fee groups, can be seen by charting the overlaps in the distributions of facility-specific rental costs for Callow's fee groups.[2] Chart A, which follows this paragraph, displays the distribution of facilities for his fee groups, by rental cost deciles.

The substantial lack of cost homogeneity is evident. Facilities belonging to all six of witness Callow's CAG groupings are present in the top 10 percent rental cost per square foot decile. About 15 percent of CAG E-G facilities, and about 5 percent of CAG H-L facilities, have rental costs in the top decile, with an average of $16.55 per square foot. Moreover, at the opposite end of the rental cost distribution, almost 20 percent of the CAG level A-D facilities are present in the lowest rental cost decile. Similarly, all intermediate deciles also contain facilities from each of Callow's six proposed post office box fee subgroups. Exhibit A (at 3 and 4) contains separate charts showing results for city and non-city facilities; again, each decile is populated by facilities from every one of his proposed fee groups. Since each rental cost decile contains facilities from each proposed CAG fee group, witness Callow's proposal inappropriately lumps together facilities having rental costs in every rent decile.

Chart A



If the relationships between CAG and PO box costs were strong, then individual facilities with similar PO box costs would be grouped together in each CAG group, and the range of PO box costs within each CAG-based grouping would not substantially overlap that of another. In other words, any strong relationship should be evident from cost homogeneous fee groups that result.

[2] Witness Callow acknowledges the existence of overlap, but seems unable to bring himself to agree that the overlap is "substantial". Tr. 23/12392 (response to USPS/OCA-T500-22-28(e)). Since the overlap is virtually complete, I believe it is much more than substantial.

The lack of such cost homogeneity in witness Callow's fee groups illustrates the lack of a strong relationship between CAG and PO box costs.

Only when inferences about one variable can reasonably be drawn from knowledge of another variable can a strong association be said to exist. This is not true of CAG and rental costs, because the range in rental costs for facilities in a given CAG is largely co-extensive with the overall range across all facilities. Respective costs for individual facilities within a CAG range higher and lower than the CAG averages by a large degree. For purposes of rate design, the degree of association between CAG and rental cost per square foot is too weak.

There are operational reasons to believe that higher CAG, *i.e.,* large volume, mail processing facilities would locate in lower rental cost areas to benefit from the lower rental costs -- along with large mailers who may co-locate and thereby also benefit from lower space costs. For example, many of the facilities in witness Callow's Group D-I are high CAG only because each accepts the mail for one large mailer located nearby, *e.g.* Shepherdsville, KY; Wilton, IA; and Young America, MN. Moreover, there are low revenue facilities in higher cost areas, where service is provided to meet the needs of customers at the delivery end of the postal network of facilities. Witness Callow did not consider these operational reasons why CAG is a poor proxy for PO box costs. Tr. 23/12375 (response to USPS/OCA-T500-17(b)).

Witness Callow's fee structure would raise and lower fees in a way that would discourage use where PO Boxes are available and discourage PO box service expansion in high cost / high demand locations. Exhibit B, page 2

presents several examples of high CAG facilities having low rental costs and low PO box utilization. Under witness Callow's proposal, these facilities would eventually be included in his highest fee group, thus further discouraging PO box utilization in these locations. Exhibit B, page 3 presents several examples of low CAG facilities having high rental costs and high PO box utilization.[3] Under witness Callow's proposal, these facilities would eventually be included in his lowest fee group, thus also discouraging PO box expansion at these locations.

Witness Callow's proposal would complicate the fee structure by defining fee groups, without any operational justification,[4] in a way that would complicate future re-alignment of fees and costs. For example, CAG A facilities with a rental cost of $1.83 per square foot would face drastic fee changes when their fee group is aligned with costs.

Grouping facilities by CAG in an attempt to create more cost homogeneous fee groups is clearly inappropriate. While CAG and rental costs may not be totally unrelated, witness Callow wrongly concludes that the relationship is strong enough to be a viable basis for structuring new PO box fee groups. The rental cost per square foot differences within and between the fee groups proposed by witness Callow are large, causing inconsistent groupings of facilities and complicating future efforts to align fees with costs. Furthermore, fees, costs, and box availability were not appropriately taken into account by

[3] Exhibit B is limited to facilities identified as transfer facilities in section VI of my testimony. I would expect there to be many more facilities with CAG designations that are inconsistent with their rental costs and utilization rates.

witness Callow. If implemented, his proposal would result in an inconsistent fee structure. In Section V, below, a better alternative is described.

IV. WITNESS CALLOW'S PROPOSED FEES ARE BASED ON AN INAPPROPRIATE ALLOCATION OF COSTS INSOFAR AS THEY DIFFER FROM THE POSTAL SERVICE'S METHODOLOGY

Attributable costs for post office boxes are separated into three general categories by both the Postal Service and the OCA. The FY96 values and percentages are shown below:

Space Support	$279,928,000	46.1 %
Space Provision	223,226,000	36.7
All Other	104,580,000	17.2
Total	$607,734,000	100.0 %

Source: USPS-T-24, page 20.

For the most part, witness Callow follows the same cost allocation methodology presented by witness Lion earlier in this proceeding (USPS-T-24), as well as in Docket No. MC96-3 (USPS-T-4). For some All Other costs, however, witness Callow attempts to allocate costs based on job title.

Witness Callow bases his allocation of costs on a proposed redefinition of fee groups. The inadvisability of using these new groups is dealt with above. However, witness Callow allocates fully 96.3 percent of the attributable costs of post office boxes using the same methodology as the Postal Service. Correcting an error in the OCA approach, the total allocated identically is 98.3 percent.

[4] Dr. Bradley states, "...every cost pool should [not] be split, willy nilly, into smaller subpools in a misguided search for different variabilities. Rather, a disaggregated analysis should be followed only when there are good operational reasons to do so." (USPS-T-13, page 35, lines 11-14).

Witness Callow's allocation of costs based on job title is inappropriate and, even if done, should affect at most only 1.7 percent of post office box costs.

Space Support Costs, representing 46.1 percent of the total, are allocated to each fee group/box size category in proportion to the equivalent capacity of that category (*see* OCA-T-500, pages 55-56, Tr. 23/12332-33). This is the same as the Postal Service methodology.

Space Provision Costs, representing 36.7 percent of the total, are allocated to each fee group and box size category based on equivalent capacity and average rental costs (*see* response to OCA/USPS-T500-18, Tr. 23/12337). Again, this is the same as the Postal Service methodology.

Space Support plus Space Provision costs together amount to 82.8 percent of the total and are allocated by the OCA using the Postal Service methodology. Witness Callow also allocates the bulk of All Other costs using the Postal Service methodology.

All Other Costs, 17.2 percent of the total, are defined as the costs remaining after Space Support and Space Provision costs are subtracted from total attributable post office box costs; they are primarily labor costs for window service, and related supervisory and personnel costs (*see* USPS-T-24 at 19). All Other costs are separated by witness Callow into two groups: those that he proposes to allocate according to CAG ("CAG costs") and the remainder ("Non-CAG costs"). CAG costs are further separated according to job title: postmasters (Cost Segment 1), supervisors (Cost Segment 2) and mailhandlers (Cost Segment 3).

The separation between CAG and Non-CAG costs breaks out as follows:

CAG	$ 22,753,000	21.8 %
Non-CAG	$ 81,827,000	78.2
Total All Other	$104,580,000	100.0 %

Source: Table 13, OCA-T-500, page 43.

Clerks and Mailhandlers. Cost Segment 3 includes the costs of both mailhandlers and clerks. In the case of post office box costs, it represents the costs of window service provided by these two crafts. Witness Callow separates Cost Segment 3 into a portion for mailhandlers and a portion for clerks. Noting that there are very few mailhandlers at CAGs E-L (his groups C-II, C-III, D-II, and D-III), he proposes to allocate the mailhandler proportion only to Groups C-I and D-I. The remainder -- the portion he attributes to clerks – is labelled "Non-CAG Costs" and allocated to each box size/fee group category in proportion to the number of boxes in that category. That is, witness Callow's Non-CAG costs are allocated using the Postal Service methodology.

However, witness Callow's division of the Segment 3 costs is incorrect. He separates the post box office costs of this segment into the portions due to clerks and mailhandlers on the basis of the proportion of the overall costs for the two crafts. Tr. 23/12325. In effect, he assumes that the two categories are responsible for window service in proportion to their overall costs. *See* Tr. 23/12378 (response to OCA/USPS-T500-19). But this is not correct. Mailhandlers do not "do windows". Window service is almost always provided by clerks. IOCS counts show that the proportion of window service time provided

by mailhandlers on this task is a negligible 0.3 percent. (*See* Exhibit E, page 2, col. 3).

Thus, the unavoidable conclusion is that virtually all the post office box costs in Cost Segment 3 are due to clerks and virtually none are due to mailhandlers. As a result, all Cost Segment 3 costs should be included in the Non-CAG category and allocated according to the number of boxes – *i.e.*, using the Postal Service methodology.

After correcting this error in witness Callow's analysis, 98.3 percent of the total attributable post office box costs would be allocated identically by both the Postal Service and the OCA, as shown in Table 1 below:

Table 1. Total Attributable PO Box Costs.

Item	Amount	Percent
Space Support	$279,928,000	46.10%
Space Provision	223,226,000	36.7
All Other – C/S 3	93,866,000	15.5
Subtotal	597,020,000	98.30
All Other - C/S 1&2	10,714,000	1.7
Total	$607,734,000	100.00%

Thus, the only difference between the two approaches is in the residual 1.7 percent, costs for postmasters (Cost Segment 1) and supervisors (Cost Segment 2), which witness Callow allocates based on CAG level. (Postmaster costs attributed to post office boxes amount to 0.5 percent of the total (= $3,183 / $607,734) and supervisor costs to 1.2 percent (= $7,531/ $607,734)). Even for this residual, there is good reason to keep the current (much simpler) Postal Service methodology.

Postmasters. Postmasters' job tasks vary widely with CAG level. For example, postmasters at higher CAG offices almost never perform window service, which is the prime component of All Other Costs. In fact, costs for postmasters at grades EAS-24 and above are never allocated to post office box service. *See* Tr. 23/12374 (response to USPS/OCA-T500-16c). At lower CAGs, postmasters often do this task because there is no one else to do it. Moreover, the postmaster who performs window service at a lower CAG may have a higher salary than the clerk who does the same work at a higher CAG. It is incorrect, therefore, to allocate these costs according to the number of postmasters in each CAG level, as witness Callow does (*see* Tr. 23/12425, lines 20-23). A better way to allocate these costs might be according to the time spent on post office boxes in each office. While I would expect that postmasters at smaller offices spend a greater proportion of their time on post office box activities than postmasters at larger offices, data on time spent in particular offices do not exist for postmasters. Since the amount is small, and data to make the theoretically

correct allocation are unavailable, it is better to allocate these costs using the simpler Postal Service approach.

Supervisors. Witness Callow actually does allocate supervisor costs in proportion to the number of boxes (as does the Postal Service), but only after zeroing the boxes at those CAGs that have no supervisors (fee groups C-III and D-III). This might be a reasonable approach if other, larger cost categories could be properly allocated according to CAG.[5] Absent that, however, it is a distortion to do it for just one component, in effect shifting some costs to particular CAGs, but not accounting for counterbalancing shifts. Again, the best approach for such a small amount is the simpler Postal Service methodology.

The Postal Service maintains that the cost of providing window service for a post office box is virtually the same regardless of its location or size. Attempts to break this down by CAG or other grouping, as witness Callow has, are doomed to a swamp of unresolvable difficulties revolving around the fact that the same job category provides different services at different post offices. The common sense solution is the best one, and it was used by the Postal Service. For All Other costs, take the total attributable costs and divide by the number of boxes to get the cost per box.

In summary, both the OCA and the Postal Service agree that Space Support costs, Space Provision costs and that part of All Other costs attributed to clerks (for window service) should be allocated using the Postal Service's

[5] Of course, even this would not address the impropriety of using a measure of revenue as a proxy for cost.

methodology. The remaining costs – for postmasters and supervisors – amount to only 1.7 percent of the total. It is either incorrect to allocate these costs as witness Callow has (in the case of postmasters) or the overall result is to distort the allocation (in the case of supervisors). Thus, I conclude that the Postal Service methodology, as applied in previous dockets, should be used for 100 percent of post office box costs.

V. POST OFFICE BOX FEES: A PATH TO BETTER SERVICE

The approximately 20 million post office boxes installed throughout the United States constitute a substantial investment. The benefits of this investment should be realized by the public to the greatest extent possible. However, more than one in five post office boxes are currently unused, while in other locations, few, if any, boxes are available. With more than 5 million unoccupied boxes, more post office boxes are still needed. Appropriate fees should be established to promote the maximum use of post office boxes currently installed and meet the changing needs of the public. To accomplish these ends, the post office box fee structure must address issues of both cost and demand at a very basic level. By that, I mean meeting the demand for boxes at various locations, covering the costs of providing those boxes, and making a contribution to other costs. This section explains briefly how the Postal Service is doing this by examining actual facility costs more closely, with regard to the establishment of cost homogeneous fee groups.

The Postal Service is working toward a fee structure that is based on cost and aimed at promoting optimal service levels to the public. Demand for PO box services signals where the public needs PO boxes and where there is a need to encourage PO box use. Consideration of capacity utilization in fee design should, in the long run, lead to higher overall utilization, thus improving customer satisfaction while spreading fixed costs of PO box service over a larger customer base.

The public demand for PO box service naturally changes over time. Changes in population size, age, income, location, job opportunities, access to technology, and preferences can all affect the public's desire for PO box service at various locations. Since the locations of specific boxes cannot be freely and instantly moved, some variation in capacity utilization is unavoidable.

Existing data on facility costs are incomplete. This is perhaps why witness Callow's proposal was instead based on CAG. The Postal Service is examining means of rectifying this situation. Given the pace at which automation is penetrating postal facilities, automation alone will likely improve what data are available within a few years both by the sheer number of facilities with a means of data collection and by the forced reconciliation of what today are independent data sets. In the meantime, the Postal Service is working with the data now available, comparing sources, and requesting that postal officials verify reported costs and capacity utilization in specific facilities.

With expectations of improved facility cost data that will permit the creation of cost homogeneous PO box fee groups, and of taking into account capacity utilization, it is possible to construct a hypothetical PO box fee structure.

A hypothetical fee structure based on cost homogeneity and capacity utilization rates can be constructed to account for cost and demand changes that occur from time to time and place to place. Table 2a, shows a hypothetical fee structure with five cost homogeneous fee groups (A-E), and a sixth for customers ineligible for city or non-city carrier delivery. A base fee is set for each cost group. High capacity utilization in a given facility would then result in a premium

on top of the base fee, while a low capacity utilization facility would result in a discount from the base fee.

Table 2a, Hypothetical Future PO Box Fee Structure.

Cost Group	Office Utilization		
	Low Range	**Target Range**	**High Range**
Box Size One:	*Discount*	*Base Fee*	*Surcharge*
A	Base less Discount	$Fee	Base plus Surcharge
B	Base less Discount	$Fee	Base plus Surcharge
C	Base less Discount	$Fee	Base plus Surcharge
D	Base less Discount	$Fee	Base plus Surcharge
E	Base less Discount	$Fee	Base plus Surcharge
F - Non-delivery	$0.00	$0.00	$0.00

TABLE 2b, Rental Cost Per Square Foot, By Rental Cost Quintile.

Cost Group	Number	Average	Minimum	Maximum
A	4,972	$2.48	$0.00	$3.56
B	4,972	$4.28	$3.57	$4.98
C	4,972	$5.70	$4.99	$6.51
D	4,972	$7.70	$6.52	$9.19
E	4,972	$13.48	$9.20	$64.05

From: Rent.Data - LR-H-216

When, over time, costs, or utilization rates change for a particular facility, so too could the fees. Costs could be covered while encouraging use of empty boxes. Further, the fee surcharge at highly utilized locations would provide an incentive to install more PO boxes in areas where they are needed. By encouraging expansion in this manner, the public's frustration due to waiting lists and the unavailability of PO box service in needed locations could be minimized. Finally, overall and specific fee levels could be adjusted to reflect the goals of the nine ratemaking criteria.

As in the hypothetical fee structure described, Table 2b above displays the number, average, minimum, and maximum rental costs per square foot for facilities grouped by rental cost quintile. By definition, these groups are cost homogeneous (unlike witness Callow's) and could serve as the basis for fee development.

In summary, with improved information, a PO box fee structure that incorporates homogeneous cost groups and capacity utilization can be constructed. This would: encourage efficient use of PO boxes, move toward having all boxes recover their costs, and meet the changing needs of the public.

For purposes of this docket, the details presented in this section serve simply to rebut the restructuring of PO box fees proposed by witness Callow. In addition, the Postal Service wants to share with the Commission its efforts to improve the PO box fee structure in the near future. The next section describes a very limited regrouping of PO box facilities being planned for implementation together with any classification and fee changes arising from this case.

VI. THE FIRST STEP: LIMITED MODIFICATION OF FEE GROUPS

As a first step, 80 facilities have been identified as candidates for reassignment from one fee group to the next highest or lowest (*see* Exhibit C).[6] These facilities were selected based on facility rents and PO box utilization.

The logic of the approach was to identify facilities with high costs and low fees, or with low costs and high fees. If the former also had high capacity utilization, the facility was identified as a candidate to be moved to the next most expensive PO box fee group, *e.g.*, from Group C to Group B. Similarly, if a low cost / high fee facility also had low capacity utilization, it became a candidate for movement to the next less expensive fee group. All such facilities only became candidates, because the next step was verification that the values for facility cost, boxes installed, and capacity utilization were reasonable and accurate. This approach was by no means comprehensive, especially given the incomplete data available, but also because the focus was on selecting those facilities least well aligned in the current fee structure.

As shown in Exhibit D, page 3, the total revenue impact would be minimal assuming all 80 facilities were reassigned. A total of 46,607 post office boxes would be affected, and the net revenue effect would be $46,080. Because of the wide disparity in fees, shifts between Groups C and D at this time raise concerns. For those unlucky customers shifting from Group D to Group C, the fee increase would be well over 200 percent for every box size, which certainly raises the specter of fee shock. On the other hand, reassigning boxes

from Group C to Group D fees runs a risk that boxes would fail to cover attributable costs.

If only the transfers from A to B, from B to A and C, and from C to B were implemented, a total of 23,422 box holders would be affected, with 21,452 moving up and 1,970 moving down. The net revenue increase for the Postal Service would be $396,134 (*see* Exhibit D, page 3).

The average fee changes (relative to the fees established in Docket No. MC96-3) are shown in Table 3 below. These percentages are averages weighted by box size counts.

Table 3

Percentage Fee Increase, After Transfer vs. Current Fees

Transfer Down	
A to B	**+24.1 %**
B to C	**+0.5 %**
C to D	**-51.7%**
Transfer Up	
B to A	**+59.4 %**
C to B	**+51.7 %**
D to C	**+250.3 %**

[5] These candidates may change as further review is completed.

Additional details regarding the derivation of these data appear in Exhibit D, page 2.

Any increase in revenue would be more than offset by the recent offering of boxes at no charge for customers who are not eligible for carrier delivery because of the quarter mile rule.[7]

VII. CONCLUSION

Witness Callow's proposal to restructure PO box fee groups, while well motivated by interests in greater cost homogeneity and convergence among city and non-city delivery facilities, founders on its use of CAG as a proxy for the costs of PO box service. As CAG is a measure of the input side of the Postal Service network of facilities, while PO boxes exist at the output side of the network, using CAG as a basis for structuring fee groups introduces too many anomalies. Put simply, PO box fees should not be aligned with facility revenue; instead, PO Box fee should be aligned with PO Box costs. As the Postal Service improves the quality of its facility-specific cost data, definition of more cost homogeneous and sensible fee groups will become relatively mechanical. A reflection in the ultimate fee schedule of capacity utilization would also be economically efficient by increasing overall capacity utilization over time while helping to meet customer needs.

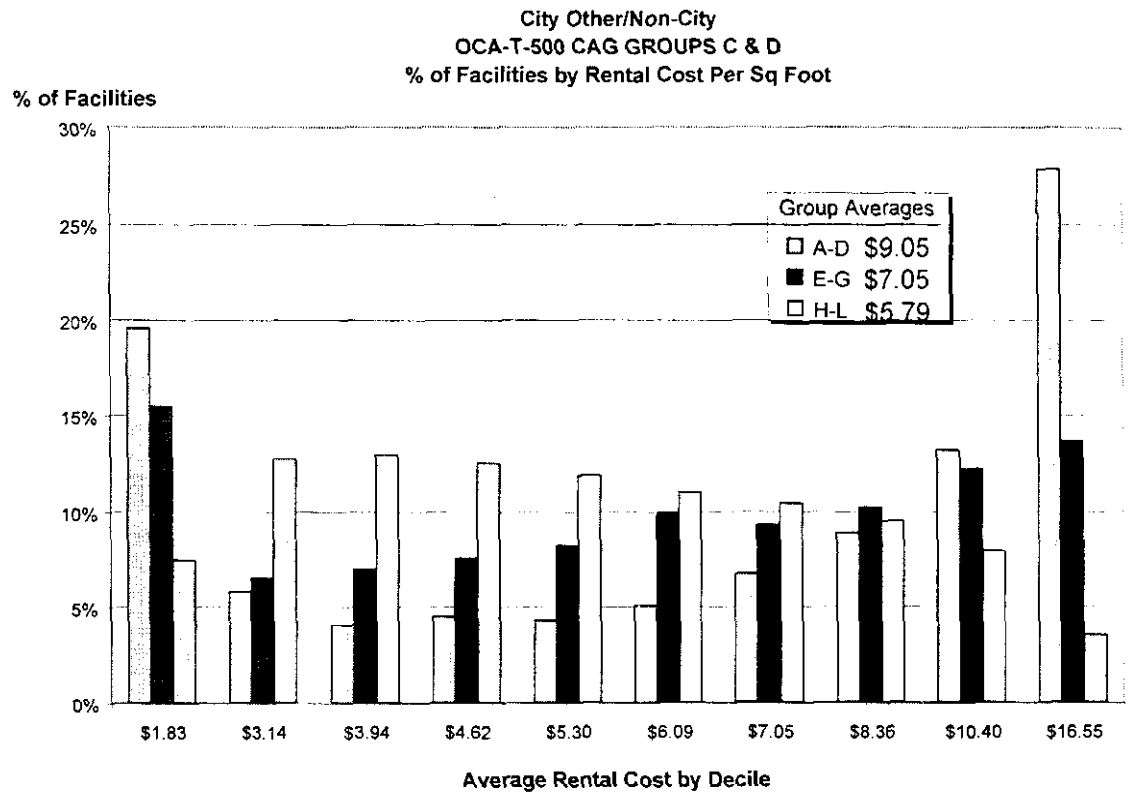
[7] The Postal Service has determined to extend eligibility for current Group E (no fee) PO boxes to customers located within one quarter mile of a non-city delivery office (quarter-mile customers). The necessary management approvals have been obtained, and the Postal Service expects that appropriate Federal Register and Postal Bulletin notices will be published in as little as a few weeks.

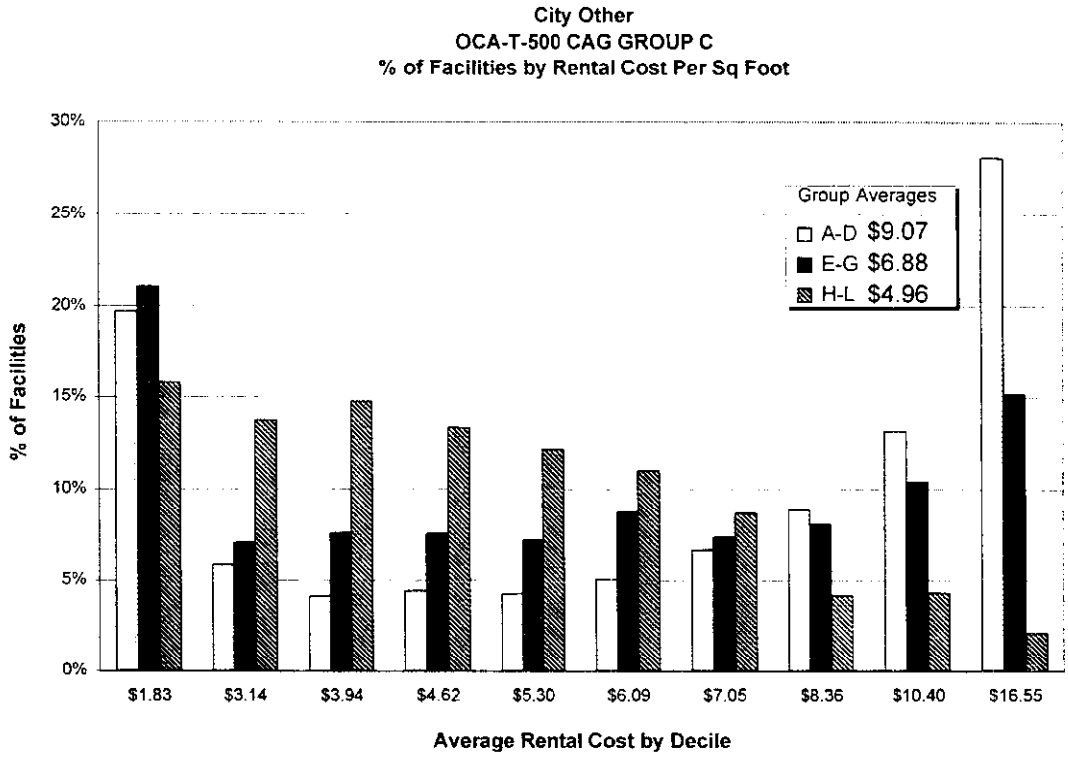
This testimony directly rebuts witness Callow's alternate fee proposal, while including details of postal plans. Those details signal the Postal Service's short and long term action plans. The next step in addressing the concerns is for the Commission to recommend the fee changes requested by the Postal Service. These fee changes move toward the establishment of equally spaced fee groups, and thus would assist in moving toward a realigned fee structure.

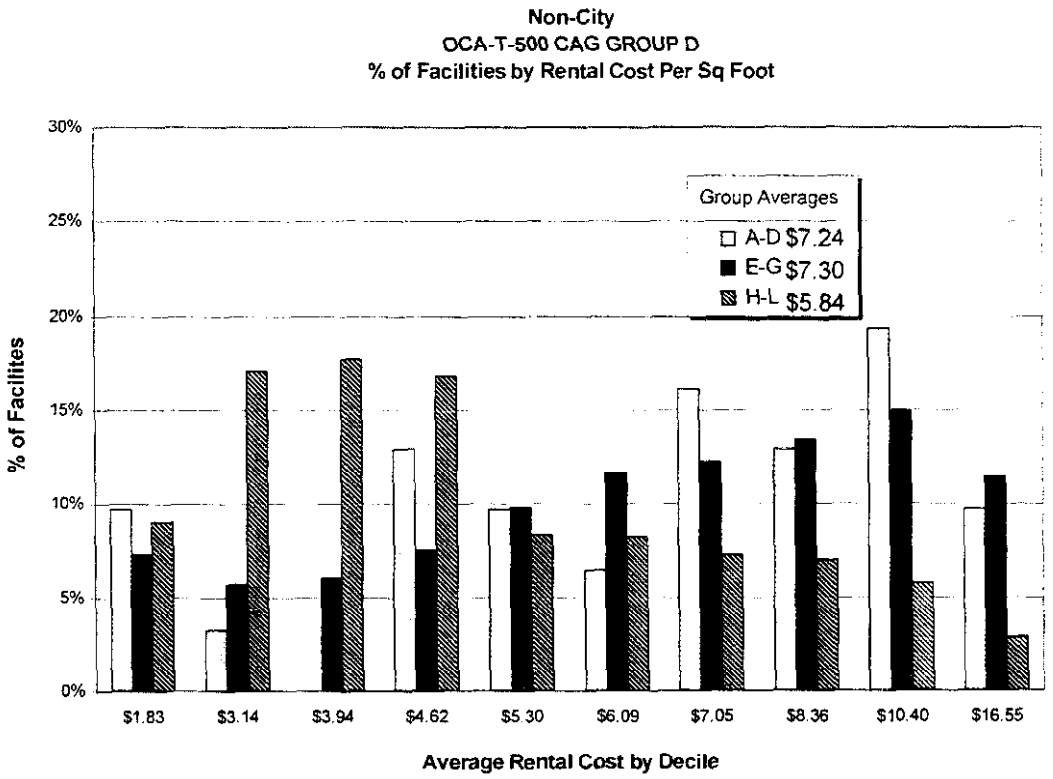
EXHIBIT A

This exhibit displays variations about average rental cost per square foot by CAG defined fee groups. Page 2 displays city other and non-city facilities combined, while pages 3 and 4 display similar results for city other and non-city separately. Page 4 is witness Callow's response to USPS/OCA-T500-22-28(g).

- CITY OTHER AND NON-CITY GROUPS COMBINED, Page 2
- CITY OTHER GROUPS, Page 3
- NON-CITY, Page 4
- AND CALLOW INTERROGATORY RESPONSE, Page 5


City Other/Non-City
OCA-T-500 CAG GROUPS C & D
% of Facilities by Rental Cost Per Sq Foot
% of Facilities
30%
25%
20%
15%
10%
5%
0%
Group Averages
A-D $9.05
E-G $7.05
H-L $5.79
$1.83
$3.14
$3.94
$4.62
$5.30
$6.09
$7.05
$8.36
$10.40
$16.55
Average Rental Cost by Decile


City Other
OCA-T-500 CAG GROUP C
% of Facilities by Rental Cost Per Sq Foot
30%
25%
20%
15%
10%
5%
0%
% of Facilities
Group Averages
A-D $9.07
E-G $6.88
H-L $4.96
$1.83
$3.14
$3.94
$4.62
$5.30
$6.09
$7.05
$8.36
$10.40
$16.55
Average Rental Cost by Decile


Non-City
OCA-T-500 CAG GROUP D
% of Facilities by Rental Cost Per Sq Foot
30%
25%
20%
15%
10%
5%
0%
% of Facilites
Group Averages
A-D $7.24
E-G $7.30
H-L $5.84
$1.83
$3.14
$3.94
$4.62
$5.30
$6.09
$7.05
$8.36
$10.40
$16.55
Average Rental Cost by Decile

ANSWERS OF OCA WITNESS JAMES F. CALLOW
TO INTERROGATORIES USPS/OCA-T500-22-28

Attachment to Response to
USPS/OCA-T500-28(g)
Page 1 of 3

Rental Cost per SF, by NEWGRP, H-216 data 1
08:53 Monday, February 2, 1998

Analysis Variable : RCSF

NEWGRP	N Obs	N	Mean	Std Dev	Minimum	Maximum
A	30	30	23.4904980	17.1993379	0.0019685	64.0482433
B	153	153	16.7430583	10.6920571	0.0051282	43.5236769
CI	3017	3017	9.0681161	6.9529147	0.0076923	35.7997936
CII	2261	2261	6.8796686	5.1052680	0.0076923	34.4827586
CIII	772	772	4.9649169	2.6802886	0.8640000	26.6166667
DI	31	31	7.2352096	3.2521942	1.4803597	13.3088042
DII	1521	1521	7.2971055	3.5066756	1.2860483	17.8618682
DIII	12618	12618	5.8375263	2.7592156	1.2847966	17.8722003
E	4170	4170	7.1935801	3.8123217	1.0666667	23.3690360

EXHIBIT B

This exhibit displays two lists of facilities. The first list shows facilities having a high CAG level, low rental cost, and low utilization. The second list shows facilities having a low CAG level, high rental cost, and high utilization.

HIGH CAG / LOW RENTAL COST / UTILIZATION BELOW 70 PERCENT

City	State	Unit Name	Address	ZIP Code	FMS RENT PER SQFT	FROM GROUP	TO GROUP	CAG
NEW YORK	NY	ISLAND STATION	BLACKWELL ISLAND	10044	$7.07	A	B	A
BROOKLYN	NY	BUSH TERMINAL STATION	900 3RD AVENUE	11232	$5.53	B	C	A
LOS ANGELES	CA	WEST LOS ANGELES STA	11420 SANTA MONICA BLVD	90025	$2.38	B	C	A
ANDOVER	MA	RETAIL UNIT	20 MAIN STREET	01810	$0.00	C	D	C
PITTSBURGH	PA	PARKWAY CENTER BRANCH	3 PARKWAY CENTER	15220	$0.00	C	D	A
PITTSBURGH	PA	NEVILLE ISLAND BR	115 SECOND ST	15225	$1.04	C	D	A
SHARON	PA	MAIN OFFICE	SILVER & SHENANGO STS	16146	$1.03	C	D	D
HAZLETON	PA	MAIN OFFICE	231 N WYOMING ST	18201	$1.09	C	D	D
COLLEGEVILLE	PA	SCHWENKSVILLE BR	153 CENTENNIAL ST	19473	$0.83	C	D	D
BETHESDA	MD	WEST BETHESDA BRANCH	9601 SEVEN LOCKS ROAD	20817	$0.51	C	D	C
KISSIMMEE	FL	CELEBRATION BRANCH	CELEBRATION TOWN CENTER	34747	$0.29	C	D	C
COLUMBUS	OH	BIG BEAR #61 DET UNIT	4665 MORSE CT	43229	$0.06	C	D	A
HALES CORNERS	WI	DL CITY HALL	9229 W LOOMIS RD	53130	$0.00	C	D	D
KALISPELL	MT	FLATHEAD STATION	248 1ST AVE WEST	59901	$1.14	C	D	D
EVANSTON	IL	DETACHED LOCKBOX	1999 SHERIDAN RD	60204	$0.00	C	D	C
FORT WORTH	TX	TEMP RICHLAND HILLS	DIANA DRIVE	76118	$0.00	C	D	A
DENTON	TX	NORTH TEXAS STATION	STUDENT UNION BLDG NTSU	76203	$0.00	C	D	C
PUEBLO	CO	MAIN POST OFFICE	421 N MAIN ST	81001	$0.00	C	D	B

LOW CAG / HIGH RENTAL COST / UTILIZATION OVER 90 PERCENT

City	State	Unit Name	Address	ZIP Code	FMS RENT PER SQFT	FROM GROUP	TO GROUP	CAG
VILLALBA	PR	MAIN OFFICE	25 MUNOZ RIVERA STREET	00766	$27.07	C	B	H
CHITTENDEN	VT	MAIN OFFICE	MAIN RD.-ST.AID HGWY #1	05737	$28.48	D	C	J
ROSEBOOM	NY	MAIN OFFICE	CORNER RTS 165 & 166	13450	$40.00	D	C	K
PALA	CA	MAIN OFFICE	PALA MISSION ROAD	92059	$27.17	D	C	H

EXHIBIT C

This exhibit displays the facility respecification criteria used to select candidates for fee group reassignment on page 2. Page 3 displays the tentative transfer list.

- FACILITY RESPECIFICATION CRITERIA, PAGE 2
- FACLITIES IDENTIFIED AS CANDIDATES FOR FEE GROUP REASSIGNMENT, PAGE 3

FACILITY RESPECIFICATION

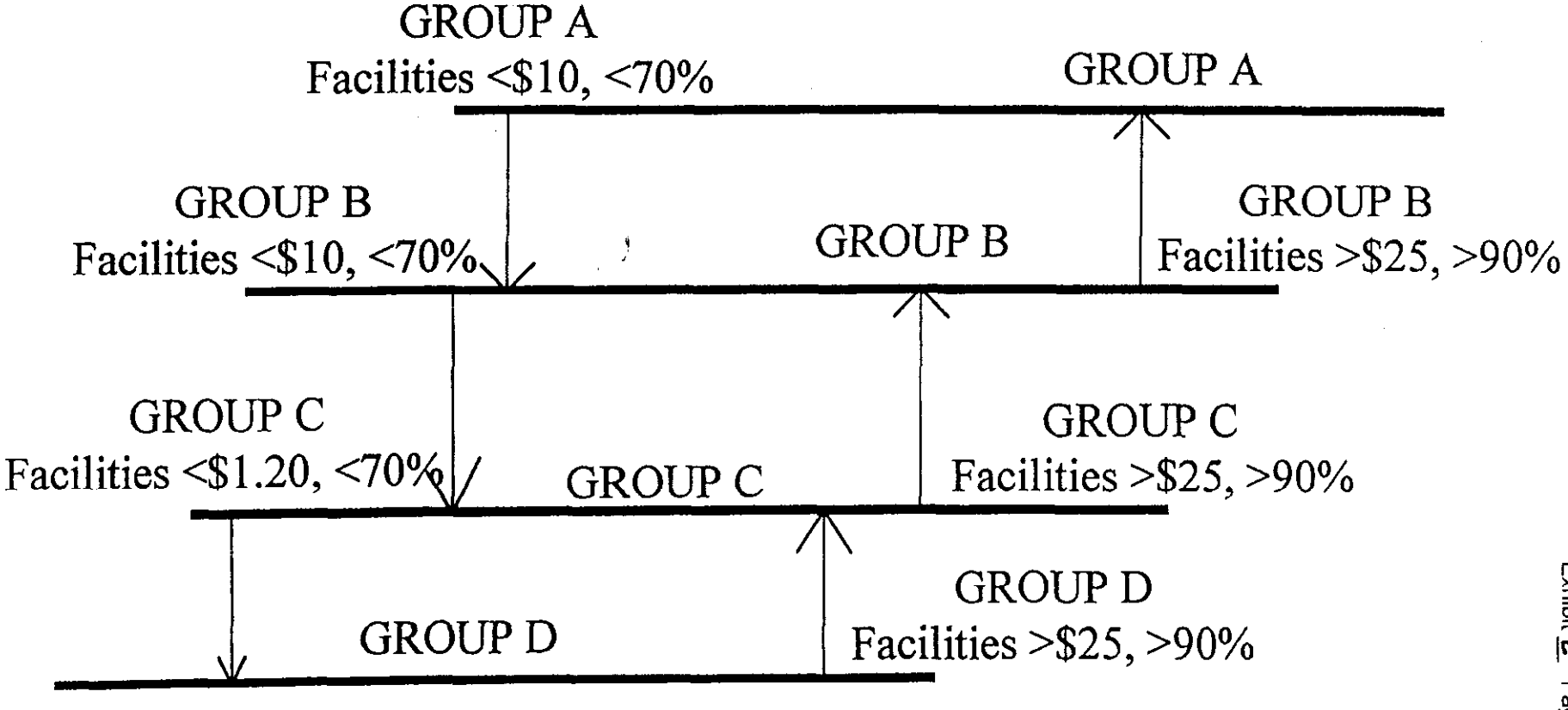


Exhibit C Page 2

Tentative Transfer List

Count	City	State	Unit Name	Address	ZIP Code	FMS RENT PER SQFT	GROUP	TO	CAG
1	NEW YORK	NY	ISLAND STATION	BLACKWELL ISLAND	10044	$7.07	A	b	A
2	BROOKLYN	NY	RYDER FINANCE STATION	2222 Flatbush Avenue	11234	$26.12	B	a	A
3	FLUSHING	NY	FRESH MEADOWS FIN STA	193-04 HORACE HARDING X	11365	$32.00	B	a	B
4	WASHINGTON	DC	TEMPLE HEIGHTS STA	1921 FLORIDA AVE N W	20009	$32.00	B	a	A
5	SANTA MONICA	CA	OCEAN PARK STATION	2700 2800 NEILSON WAY	90405	$29.11	B	a	C
6	SAN FRANCISCO	CA	NORTH BEACH STATION	1640 STOCKTON ST	94133	$30.24	B	a	A
7	BROOKLYN	NY	BUSH TERMINAL STATION	900 3RD AVENUE	11232	$5.53	B	c	A
8	LOS ANGELES	CA	WEST LOS ANGELES STA	11420 SANTA MONICA BLVD	90025	$2.38	B	c	A
9	VILLALBA	PR	MAIN OFFICE	25 MUNOZ RIVERA STREET	00766	$27.07	C	b	H
10	CHARLOTTE AMALIE	VI	EAST END STATION	Unit #179, #26A Estate	00801	$27.64	C	b	C
11	BOSTON	MA	PRU CTR POSTAL STORE	800 BOYLSTON ST	02199	$38.50	C	b	A
12	BRUNSWICK	ME	DETACHED LOCKBOX UNIT	COOKS CORNER	04011	$82.50	C	b	E
13	COS COB	CT	MAIN OFFICE	152 EAST PUTNAM AVENUE	06807	$41.29	C	b	F
14	JERSEY CITY	NJ	JACKSON AVE. STA.	163A-165 CLAREMONT AVE.	07305	$25.30	C	b	B
15	HACKENSACK	NJ	LEONIA BR.	398 BROAD AVE.	07605	$28.06	C	b	A
16	JERICHO	NY	MAIN OFFICE	425 North Broadway	11753	$27.36	C	b	C
17	WEST ISLIP	NY	MAIN OFFICE	480 UNION ST.	11795	$26.50	C	b	E
18	HARRISBURG	PA	COLONIAL PARK FIN STA	COLONIAL PARK MALL	17109	$39.73	C	b	A
19	WASHINGTON	DC	NATL AIRPORT FIN STA	NATL AIRPORT	20001	$43.78	C	b	A
20	SILVER SPRING	MD	SILVER SPRING CENTER	8455 COLESVILLE ROAD	20910	$34.38	C	b	C
21	FAIRFAX	VA	FAIRFAX STA BRA ADDL	5616 OX ROAD	22039	$25.24	C	b	C
22	VIENNA	VA	OAKTON BRANCH	2952K CHAINBRIDGE ROAD	22124	$25.68	C	b	C
23	ARLINGTON	VA	BUCKINGHAM STATION	235 NORTH GLEBE ROAD	22203	$29.26	C	b	B
24	ARLINGTON	VA	SOUTH STATION	3532 COLUMBIA PIKE	22204	$27.17	C	b	B
25	PALM BEACH	FL	STATION A	335 S COUNTY RD	33480	$32.95	C	b	E
26	YOUNGSTOWN	OH	LIBERTY DETACHED UNIT	1315 CHURCHILL-HUBBARD	44505	$27.27	C	b	C
27	ANN ARBOR	MI	STA #1 M	331 MAYNARD	48104	$36.11	C	b	B
28	CHICAGO	IL	O'HARE TERMINAL 2 FIN	O'HARE AIRPORT	60666	$33.13	C	b	A
29	PACIFIC PALISADES	CA	MAIN OFFICE	15243 LA CRUZ AVE	90272	$41.48	C	b	E
30	PALOS VERDES PENINSU	CA	PALOS VERDES EST STA	2516 VIA TEJON ST	90274	$25.80	C	b	D
31	PASADENA	CA	SAN MARINO BRANCH	2960 HUNTINGTON DRIVE	91108	$30.36	C	b	B
32	REDWOOD CITY	CA	WOODSIDE BRANCH	2995 WOODSIDE RD.	94062	$30.16	C	b	C
33	SAN FRANCISCO	CA	NOE VALLEY STATION	4083 - 24TH STREET	94114	$27.75	C	b	A
34	SAN FRANCISCO	CA	TEMP 18TH ST STN	2075 MARKET STREET	94114	$40.00	C	b	A
35	HONOLULU	HI	UPTOWN NPU	1176 NUUANU AVE	96817	$25.56	C	b	A
36	HONOLULU	HI	MOILILI STATION	2700-C S. KING ST	96828	$33.76	C	b	A
37	BEND	OR	SUNRIVER BRANCH	57080 SUNRIVER VLG MALL	97707	$27.09	C	b	C
38	ANDOVER	MA	RETAIL UNIT	20 MAIN STREET	01810	$0.00	C	d	C
39	BRENTWOOD	NY	WEST BRENTWOOD BR	PILGRIM ST. HOSP.	11717	$0.00	C	d	E
40	ONEIDA	NY	KENWOOD STATION	MAIN ST	13421	$1.18	C	d	E
41	BRACKENRIDGE	PA	MAIN OFFICE	1101 BRACKENRIDGE AVE	15014	$1.07	C	d	H
42	PITTSBURGH	PA	PARKWAY CENTER BRANCH	3 PARKWAY CENTER	15220	$0.00	C	d	A
43	PITTSBURGH	PA	NEVILLE ISLAND BR	115 SECOND ST	15225	$1.04	C	d	A
44	REYNOLDSVILLE	PA	MAIN OFFICE	350 MAIN STREET	15851	$1.11	C	d	G
45	SHARON	PA	MAIN OFFICE	SILVER & SHENANGO STS	16146	$1.03	C	d	D
46	ALBION	PA	MAIN OFFICE	29 E STATE ST	16401	$1.20	C	d	G
47	JERSEY SHORE	PA	MAIN OFFICE	ALLEGHENY ST & PA CANAL	17740	$0.92	C	d	G
48	HAZLETON	PA	MAIN OFFICE	231 N WYOMING ST	18201	$1.09	C	d	D
49	MORTON	PA	MAIN OFFICE	128 YALE AVENUE	19070	$1.05	C	d	G
50	COLLEGEVILLE	PA	SCHWENKSVILLE BR	153 CENTENNIAL ST	19473	$0.83	C	d	D
51	BETHESDA	MD	WEST BETHESDA BRANCH	9601 SEVEN LOCKS ROAD	20817	$0.51	C	d	C
52	TANEYTOWN	MD	MAIN OFFICE	13 MIDDLE ST	21787	$0.50	C	d	G
53	BELLE	WV	MAIN OFFICE	814 E DUPONT AVE	25015	$0.93	C	d	H
54	KISSIMMEE	FL	CELEBRATION BRANCH	CELEBRATION TOWN CENTER	34747	$0.29	C	d	C
55	HAZARD	KY	FINANCE STATION	601 N MAIN ST	41701	$1.00	C	d	E
56	COLUMBUS	OH	BIG BEAR #61 DET UNIT	4665 MORSE CT	43229	$0.06	C	d	A
57	SABINA	OH	MAIN OFFICE	39 N HOWARD ST	45169	$1.00	C	d	G
58	BELLEVILLE	MI	DETACHED LOCKBOX	23483 SUMPTER RD	48111	$0.01	C	d	E
59	MANISTEE	MI	MAIN OFFICE	35 FILER ST	49660	$1.09	C	d	F
60	HALES CORNERS	WI	DL CITY HALL	9229 W LOOMIS RD	53130	$0.00	C	d	D
61	WHEATON	MN	MAIN OFFICE	1107 BROADWAY	56296	$1.17	C	d	G
62	WARREN	MN	MAIN OFFICE	520 N MINNESOTA ST	56762	$0.64	C	d	G
63	KALISPELL	MT	FLATHEAD STATION	248 1ST AVE WEST	59901	$1.14	C	d	D
64	EVANSTON	IL	DETACHED LOCKBOX	1999 SHERIDAN RD	60204	$0.00	C	d	C
65	CHICAGO HEIGHTS	IL	MAIN OFFICE	1333 WEST END AVE	60411	$0.85	C	d	E
66	MONTICELLO	AR	COLLEGE HGTS BR-UNIV	Student Union Bldg-UAM	71655	$1.15	C	d	F
67	NEWPORT	AR	DPOBU	US HWY 67	72112	$0.01	C	d	F
68	ELMER	OK	MAIN OFFICE	MAIN & NEVILLE ST	73539	$1.06	C	d	K
69	CUSTER CITY	OK	MAIN OFFICE	425 South Main Street	73639	$1.05	C	d	K
70	COMMERCE	TX	EAST TEXAS STATION	EAST TEXAS UNIVERSITY	75428	$0.00	C	d	F
71	FORT WORTH	TX	TEMP RICHLAND HILLS	DIANA DRIVE	76118	$0.00	C	d	A
72	DENTON	TX	NORTH TEXAS STATION	STUDENT UNION BLDG NTSU	76203	$0.00	C	d	C
73	PUEBLO	CO	MAIN POST OFFICE	421 N MAIN ST	81001	$0.00	C	d	B
74	CHITTENDEN	VT	MAIN OFFICE	MAIN RD.-ST AID HGWY #1	05737	$28.48	D	c	J
75	FAR HILLS	NJ	MAIN OFFICE	THE MALL AT FAR HILLS	07931	$28.00	D	c	F
76	ROSEBOOM	NY	MAIN OFFICE	CORNER RTS 165 & 166	13450	$40.00	D	c	K
77	PALA	CA	MAIN OFFICE	PALA MISSION ROAD	92059	$27.17	D	c	H
78	RANCHO SANTA FE	CA	MAIN OFFICE	LAFLECHA/VIA DESANTA FE	92067	$33.23	D	c	E
79	EARP	CA	MAIN OFFICE	CALIFORNIA HIGHWAY 62	92242	$51.46	D	c	H
80	WOODLAND	WA	MAIN OFFICE	323 DAVIDSON	98674	$30.38	D	c	G

EXHIBIT D

Revenue Impact Estimate

This exhibit estimates the revenue impact if the transfer candidates listed in Exhibit C page 3 are reassigned. Page 2 displays the derivation of fee differences for boxes reassigned by fee group and box size. Page 3 summarizes by reassignment direction and group, as well as displays overall revenue impact estimate.

- DERIVATION OF FEE DIFFERENCES FOR GROUP TRANSFERS, PAGE 2
- REVENUE IMPACT, PAGE 3

Derivation of Fee Differences for Group Transfers

Fee Group	Box Size	TYAR Dist.	Old Fee	New Fee	Up Fee	Down Fee	Delta Up	Delta Down		Delta Up - Old	Delta Down - Old	Pct. Up/Old	Pct. Down/Old
		[1]	[2]	[3]	[4]	[5]	[6]	[7]		[8]	[9]	[10]	[11]
	1	0.908	$48	$70	na	$60	na	($10)		na	$12	na	25.0%
	2	0.056	$74	$105	na	$90	na	($15)		na	$16	na	21.6%
A	3	0.032	$128	$185	na	$150	na	($35)		na	$22	na	17.2%
	4	0.003	$242	$325	na	$290	na	($35)		na	$48	na	19.8%
	5	0.001	$418	$550	na	$435	na	($115)		na	$17	na	4.1%
Total A		1.000	$ 52.92	$ 76.94	na	$ 65.68	na	($11.26)		na	$ 12.76	na	24.1%
	1	0.747	$44	$60	$70	$45	$10	($15)		$26	$1	59.1%	2.3%
	2	0.169	$66	$90	$105	$65	$15	($25)		$39	($1)	59.1%	-1.5%
B	3	0.064	$112	$150	$185	$115	$35	($35)		$73	$3	65.2%	2.7%
	4	0.009	$218	$290	$325	$195	$35	($95)		$107	($23)	49.1%	-10.6%
	5	0.010	$372	$435	$550	$325	$115	($110)		$178	($47)	47.8%	-12.6%
Total B		1.000	$ 56.83	$ 76.81	$ 90.56	$ 57.12	$13.75	($19.69)		$ 33.73	$ 0.29	59.4%	0.5%
	1	0.626	$40	$45	$60	$18	$15	($27)		$20	($22)	50.0%	-55.0%
	2	0.263	$58	$65	$90	$30	$25	($35)		$32	($28)	55.2%	-48.3%
C	3	0.089	$104	$115	$150	$55	$35	($60)		$46	($49)	44.2%	-47.1%
	4	0.019	$172	$195	$290	$80	$95	($115)		$118	($92)	68.6%	-53.5%
	5	0.004	$288	$325	$435	$125	$110	($200)		$147	($163)	51.0%	-56.6%
Total C		1.000	$ 53.82	$ 60.37	$ 81.64	$ 26.02	$21.27	($34.36)		$ 27.82	$ (27.80)	51.7%	-51.7%
	1	0.667	$12	$18	$45	na	$27	na		$33	na	275.0%	na
	2	0.259	$20	$30	$65	na	$35	na		$45	na	225.0%	na
D	3	0.068	$36	$55	$115	na	$60	na		$79	na	219.4%	na
	4	0.005	$53	$80	$195	na	$115	na		$142	na	267.9%	na
	5	0.001	$83	$125	$325	na	$200	na		$242	na	291.6%	na
Total D		1.000	$ 15.97	$ 24.03	$ 55.94	na	$31.91	na		$ 39.97	na	250.3%	na

[1] - [3] Source: Table 9A, USPS-T-24, Docket No. R97-1
[4] Column [3] shifted down one Fee Group
[5] Column [3] shifted up one Fee Group
[6] [4] - [3]
[8] [4] - [2]
[9] [5] - [2]
[10] [8] / [2]
[11] [9] / [2]

Revenue Impact

Direction	From	To	Boxes	Facilities	Difference	Revenue Change All Goups	Revenue Change Groups A-C Only
down	A	B	215	1	($11.26)	($2,422)	
up	B	A	3,083	5	$13.75	$42,391	
down	B	C	1,755	2	($19.69)	($34,555)	A-B-C
up	C	B	18,369	29	$21.27	$390,720	**$396,134**
down	C	D	16,447	36	($34.36)	($565,043)	C-D
up	D	C	6,738	7	$31.91	$214,989	($350,054)
	Total up		28,190	41			
	Total down		18,417	39			
	Total		46,607	80			
	Net		9,773	2		**$46,080**	**$396,134**

EXHIBIT E

This exhibit presents an analysis of IOCS Tallies indicating the proportion of window service time provided by clerks and mailhandlers. Pages 3 through 9 presents SAS summary tables and computer program.

- CLERKS AND MAILHANDLERS TALLY ANALYSIS, PAGE 2
- SAS SUMMARY TABLES, PAGES 3 AND 4
- COMPUTER PROGRAM, PAGES 5 THROUGH 9

EXHIBIT E

CLERKS AND MAILHANDLERS TALLY ANALYSIS

FISCAL YEAR 1996

	Weighted Tallies			Unweighted Tallies		
activity code(s) =>	5020, 6020	5030, 6030		5020, 6020	5030, 6030	
activity =>	**P.O. Box**	**Caller Svc.**	**Both**	**P.O. Box**	**Caller Svc.**	**Both**
___+ Craft +___	(1)	(2)	(3)	(4)	(5)	(6)
Clerks	39,447,642	13,308,557	52,756,199	420	186	606
Mailhandlers	53,142	118,340	171,482	1	2	3
Both	39,500,784	13,426,897	52,927,681	421	188	609
Sum	39,500,784	13,426,897	52,927,681	421	188	609
Difference	39,500,784	13,426,897	52,927,681	0	0	0
Percentages:	P.O. Box	Caller Svc.	Both	P.O. Box	Caller Svc.	Both
Clerks	99.865%	99.119%	**99.676%**	99.762%	98.936%	99.507%
Mailhandlers	0.135%	0.881%	**0.324%**	0.238%	1.064%	0.493%
Both	100.000%	100.000%	100.000%	100.000%	100.000%	100.000%

Source: IOCS Special Analysis

FISCAL YEAR 1996
WINDOW SERVICE AT ALL FACILITIES
A LISTING OF SELECTED ACTIVITIES
WEIGHTED TALLIES

ACTIVITY	ROSTER	Frequency	Percent	Cumulative Frequency	Cumulative Percent
POST OFFICE BOX	CLERKS	39447642	74.5	39447642	74.5
POST OFFICE BOX	MAILHANDLERS	53142	0.1	39500784	74.6
CALLER SERVICE	CLERKS	13308557	25.1	52809341	99.8
CALLER SERVICE	MAILHANDLERS	118340	0.2	52927681	100.0

FISCAL YEAR 1996
WINDOW SERVICE AT ALL FACILITIES
A LISTING OF SELECTED ACTIVITIES
UNWEIGHTED TALLIES

TABLE OF ACTIVITY BY ROSTER

ACTIVITY	ROSTER		
Frequency	CLERKS	MAILHANDLERS	Total
POST OFFICE BOX	420	1	421
CALLER SERVICE	186	2	188
Total	606	3	609

```
80              24=' WINDOW SERVICE ' 25=' WINDOW SERVICE ' 26=' WINDOW SERVICE '   00008000
81              ;                                                                   00008100
NOTE: Format $FUNCTN has been output.
81                                                                                  00008100
82                                                                                  00008200
82            VALUE $CONSOL                                                         00008200
83              '  '=' BLANK'                                                       00008300
84              00='  MAIL  PROCESS.' 01='  MAIL  PROCESS.' 02='  MAIL  PROCESS.'  00008400
85              03='  MAIL  PROCESS.' 04='  MAIL  PROCESS.' 05='  MAIL  PROCESS.'  00008500
86              06='  MAIL  PROCESS.' 07='  MAIL  PROCESS.' 08='  MAIL  PROCESS.'  00008600
87              09=' WINDOW SERVICE ' 10='A. OTHER  WORK  ' 11='  MAIL  PROCESS.'  00008700
88              12='  MAIL  PROCESS.' 13='  MAIL  PROCESS.' 14='  MAIL  PROCESS.'  00008800
89              15='  MAIL  PROCESS.' 16='  MAIL  PROCESS.' 17='CLAIMS & INQUIRY'  00008900
90              18='REGISTRY (ONLY) ' 19='        MAILGRAM' 20='  MAIL  PROCESS.'  00009000
91              21='SPECIAL DELIVERY' 22='EXPRESS   MAIL  ' 23='  MAIL  PROCESS.'  00009100
92              24=' WINDOW  PO BOX ' 25=' WINDOW  CALLER ' 26=' WINDOW GENL DEL'  00009200
93              ;                                                                   00009300
NOTE: Format $CONSOL has been output.
93                                                                                  00009300
94                                                                                  00009400
94            VALUE $UNOPRN                                                         00009400
95              '  '=' BLANK'                                                       00009500
96              09=' WINDOW SERVICE'                                                00009600
97              24=' WINDOW  PO BOX'  25=' WINDOW  CALLER'  26=' WINDOW GENL DEL'  00009700
98              ;                                                                   00009800
NOTE: Format $UNOPRN has been output.
98                                                                                  00009800
99                                                                                  00009900
99            VALUE $NOPRN                                                          00009900
100             '  '=' BLANK'                                                       00010000
101             09='09-WINDOW SERVCE'                                               00010100
102             24='24-WINDOW PO BOX' 25='25-WINDOW CALLER' 26='26-WINDOW G. DEL'   00010200
103             ;                                                                   00010300
NOTE: Format $NOPRN has been output.
103                                                                                 00010300
104                                                                                 00010400
104           VALUE $CLASSES                                                        00010400
105             '    '=' BLANK'                                                     00010500
106              5020='POST OFFICE BOX'                                             00010600
107              6020='POST OFFICE BOX'                                             00010700
108              5030='CALLER  SERVICE'                                             00010800
109              6030='CALLER  SERVICE'                                             00010900
110              ;                                                                  00011000
NOTE: Format $CLASSES has been output.
110                                                                                 00011000
111                                                                                 00011100
111           VALUE $FMAT_II                                                        00011100
112             '    '=' BLANK'                                                     00011200
113              5020='POST OFFICE BOX'                                             00011300
114              6020='POST OFFICE BOX'                                             00011400
115              5030='CALLER  SERVICE'                                             00011500
116              6030='CALLER  SERVICE'                                             00011600
117              ;                                                                  00011700
NOTE: Format $FMAT_II has been output.
117                                                                                 00011700
118           * ;                                                                   00011800
119           ********************************************************************; 00011900
120           * ;                                                                   00012000
```

```
NOTE: Copyright (c) 1989-1992 by SAS Institute Inc., Cary, NC, USA.
NOTE: SAS (r) Proprietary Software Release 6.08  TS420
      Licensed to US POSTAL SERVICE, Site 0034819007.

NOTE: Running on IBM Model 9672 Serial Number 046563,
                 IBM Model 9672 Serial Number 146563,
                 IBM Model 9672 Serial Number 246563,
                 IBM Model 9672 Serial Number 346563,
                 IBM Model 9672 Serial Number 446563,
                 IBM Model 9672 Serial Number 546563,
                 IBM Model 9672 Serial Number 646563,
                 IBM Model 9672 Serial Number 746563,
                 IBM Model 9672 Serial Number 846563.


 Welcome to the SAS Information Delivery System.


NOTE: The SASUSER library was not specified. SASUSER library will now be the same as the WORK library.
NOTE: All data sets and catalogs in the SASUSER library will be deleted at the end of the session.  Use the NOWORKTERM option to
      prevent their deletion.

NOTE: SAS system options specified are:
      SORT=4

NOTE: The initialization phase used 0.14 CPU seconds and 2686K.
1          ************************************************************************; 00000100
2          * ;                                                                      00000200
3            OPTIONS SKIP=5 NODATE  ;                                               00000300
4          * :                                                                      00000400
5          * COMMENT                                                               00000500
6          *                              -- FY 1996 --                            00000600
7          *                               "POBOX.CNTL"                            00000700
8          *                           "POBOX.SPEC96.DATA"                         00000800
9          *                       INFILE IS "ALB.HQTAL96.ALL".                    00000900
10         ************************************************************************; 00001000
11         *       CRAFT              ROSTER DESIGNATIONS                           00001100
12         *       CLERKS       -     11, 31, 41, 61, & 81                         00001200
13         *    MAILHANDLERS    -     12, 32, 42, 62, & 82                         00001300
14         ************************************************************************; 00001400
15         * ;                                                                      00001500
16         DATA                                                                    00001600
17              WINDOW                                                             00001700
18           ;                                                                     00001800
19         ************************************************************************; 00001900
20         * ;                                                                      00002000
21         SET IN.TALLY96                                                          00002100
22           ;                                                                     00002200
23         ************************************************************************; 00002300
24         * ;                                                                      00002400
25             ROSTER=F257;     OPCODE=F260;   FUNCTION=F261;   ACTIVITY=F262;     00002500
26                CAG=F264;                                                       00002600
27                WGT=F9250;                                                      00002700
28             DOLLAR=ROUND(WGT/100,1);                                           00002800
29         * ;                                                                      00002900
30         ************************************************************************; 00003000
31         * ;                                                                      00003100
32           KEEP                                                                  00003200
```

Exhibit E Page 5

```
33            ROSTER   OPCODE   ACTIVITY CAG                                    00003300
34            WGT      DOLLAR                                                   00003400
35              ;                                                              00003500
36          ************************************************************************; 00003600
37          * ;                                                                00003700
38          *              *** LIMIT TO CAG A THROUGH J FACILITIES. ***         ; 00003800
39          * ;                                                                00003900
40            IF 'A'<=CAG<='J' THEN DO;                                        00004000
41          * ;                                                                00004100
42          *               *** LIMIT TO WINDOW SERVICE FUNCTION. ***          ; 00004200
43          * ;                                                                00004300
44            IF OPCODE='09' OR '24'<=OPCODE<='26' THEN DO;                    00004400
45          * ;                                                                00004500
46          *               *** LIMIT TO P.O.BOX & CALLER SERVICE. ***         ; 00004600
47          * ;                                                                00004700
48            IF ACTIVITY='5020' OR ACTIVITY='5030' OR                         00004800
49               ACTIVITY='6020' OR ACTIVITY='6030'                            00004900
50               THEN OUTPUT WINDOW;                                           00005000
51          * ;                                                                00005100
52            END;  END;                                                       00005200
53          * ;                                                                00005300
54          ************************************************************************; 00005400
55          * ;                                                                00005500
56          * OPTIONS SKIP=5 NODATE                                            00005600
57            ;                                                              00005700
58          ************************************************************************; 00005800
59          * ;                                                                00005900

NOTE: Character values have been converted to numeric values at the places given by: (Line):(Column).
      28:18
NOTE: The data set WORK.WINDOW has 609 observations and 6 variables.
NOTE: The DATA statement used 22.39 CPU seconds and 3519K.

60          PROC FORMAT;                                                       00006000
60                                                                             00006000
61                                                                             00006100
61            VALUE $CRAFT                                                     00006100
62            '  '=' BLANK'                                                    00006200
63              11='CLERKS'                 31='CLERKS'                        00006300
64              41='CLERKS'                 61='CLERKS'                        00006400
65              81='CLERKS'                                                    00006500
66              12='MAILHANDLERS'           32='MAILHANDLERS'                  00006600
67              42='MAILHANDLERS'           62='MAILHANDLERS'                  00006700
68              82='MAILHANDLERS'                                              00006800
69              ;                                                              00006900
NOTE: Format $CRAFT has been output.
69                                                                             00006900
70                                                                             00007000
70            VALUE $FUNCTN                                                    00007000
71              '  '=' BLANK'                                                  00007100
72              00='  MAIL  PROCESS.' 01='  MAIL  PROCESS.' 02='  MAIL  PROCESS.'  00007200
73              03='  MAIL  PROCESS.' 04='  MAIL  PROCESS.' 05='  MAIL  PROCESS.'  00007300
74              06='  MAIL  PROCESS.' 07='  MAIL  PROCESS.' 08='  MAIL  PROCESS.'  00007400
75              09=' WINDOW SERVICE ' 10='A. OTHER  WORK  ' 11='  MAIL  PROCESS.'  00007500
76              12='  MAIL  PROCESS.' 13='  MAIL  PROCESS.' 14='  MAIL  PROCESS.'  00007600
77              15='  MAIL  PROCESS.' 16='  MAIL  PROCESS.' 17='CLAIMS & INQUIRY'  00007700
78              18='  MAIL  PROCESS.' 19='  MAIL  PROCESS.' 20='  MAIL  PROCESS.'  00007800
79              21='  MAIL  PROCESS.' 22='  MAIL  PROCESS.' 23='  MAIL  PROCESS.'  00007900
```

```
80              24=' WINDOW SERVICE ' 25=' WINDOW SERVICE ' 26=' WINDOW SERVICE '   00008000
81              ;                                                                   00008100
NOTE: Format $FUNCTN has been output.
81                                                                                  00008100
82                                                                                  00008200
82            VALUE $CONSOL                                                         00008200
83              '  '=' BLANK'                                                       00008300
84              00='  MAIL  PROCESS.' 01='  MAIL  PROCESS.' 02='  MAIL  PROCESS.'  00008400
85              03='  MAIL  PROCESS.' 04='  MAIL  PROCESS.' 05='  MAIL  PROCESS.'  00008500
86              06='  MAIL  PROCESS.' 07='  MAIL  PROCESS.' 08='  MAIL  PROCESS.'  00008600
87              09=' WINDOW SERVICE ' 10='A. OTHER  WORK  ' 11='  MAIL  PROCESS.'  00008700
88              12='  MAIL  PROCESS.' 13='  MAIL  PROCESS.' 14='  MAIL  PROCESS.'  00008800
89              15='  MAIL  PROCESS.' 16='  MAIL  PROCESS.' 17='CLAIMS & INQUIRY'  00008900
90              18='REGISTRY (ONLY) ' 19='        MAILGRAM' 20='  MAIL  PROCESS.'  00009000
91              21='SPECIAL DELIVERY' 22='EXPRESS   MAIL  ' 23='  MAIL  PROCESS.'  00009100
92              24=' WINDOW  PO BOX ' 25=' WINDOW  CALLER ' 26=' WINDOW GENL DEL'  00009200
93              ;                                                                   00009300
NOTE: Format $CONSOL has been output.
93                                                                                  00009300
94                                                                                  00009400
94            VALUE $UNOPRN                                                         00009400
95              '  '=' BLANK'                                                       00009500
96              09=' WINDOW SERVICE'                                                00009600
97              24=' WINDOW  PO BOX'  25=' WINDOW  CALLER'  26=' WINDOW GENL DEL'   00009700
98              ;                                                                   00009800
NOTE: Format $UNOPRN has been output.
98                                                                                  00009800
99                                                                                  00009900
99            VALUE $NOPRN                                                          00009900
100             '  '=' BLANK'                                                       00010000
101             09='09-WINDOW SERVCE'                                               00010100
102             24='24-WINDOW PO BOX' 25='25-WINDOW CALLER' 26='26-WINDOW G. DEL'   00010200
103             ;                                                                   00010300
NOTE: Format $NOPRN has been output.
103                                                                                 00010300
104                                                                                 00010400
104           VALUE $CLASSES                                                        00010400
105             '    '=' BLANK'                                                     00010500
106              5020='POST OFFICE BOX'                                             00010600
107              6020='POST OFFICE BOX'                                             00010700
108              5030='CALLER  SERVICE'                                             00010800
109              6030='CALLER  SERVICE'                                             00010900
110              ;                                                                  00011000
NOTE: Format $CLASSES has been output.
110                                                                                 00011000
111                                                                                 00011100
111           VALUE $FMAT_II                                                        00011100
112             '    '=' BLANK'                                                     00011200
113              5020='POST OFFICE BOX'                                             00011300
114              6020='POST OFFICE BOX'                                             00011400
115              5030='CALLER  SERVICE'                                             00011500
116              6030='CALLER  SERVICE'                                             00011600
117              ;                                                                  00011700
NOTE: Format $FMAT_II has been output.
117                                                                                 00011700
118           * ;                                                                   00011800
119           ********************************************************************; 00011900
120           * ;                                                                   00012000
```

```
NOTE: The PROCEDURE FORMAT used 0.06 CPU seconds and 3569K.

121         PROC FREQ DATA=WINDOW;  WEIGHT DOLLAR     ;                    00012100
122           TABLE ACTIVITY*ROSTER / LIST            ;                    00012200
123           FORMAT ACTIVITY $CLASSES. ROSTER $CRAFT.        ;            00012300
124            TITLE1 'FISCAL YEAR 1996';                                   00012400
125            TITLE2 'WINDOW SERVICE AT ALL FACILITIES';                   00012500
126            TITLE3 'A LISTING OF SELECTED ACTIVITIES';                   00012600
127            TITLE4 'WEIGHTED TALLIES';                                   00012700
128         * ;                                                            00012800

NOTE: The PROCEDURE FREQ printed page 1.
NOTE: The PROCEDURE FREQ used 0.04 CPU seconds and 3815K.

129         PROC FREQ DATA=WINDOW;                                         00012900
130           TABLE ACTIVITY*ROSTER / NOPERCENT NOROW NOCOL   ;            00013000
131           FORMAT ACTIVITY $CLASSES. ROSTER $CRAFT.        ;            00013100
132            TITLE4 'UNWEIGHTED TALLIES';                                00013200
133         * ;                                                            00013300
NOTE: The PROCEDURE FREQ printed page 2.
NOTE: The PROCEDURE FREQ used 0.02 CPU seconds and 3815K.

NOTE: The SAS session used 22.67 CPU seconds and 3815K.
NOTE: SAS Institute Inc., SAS Campus Drive, Cary, NC USA 27513-2414
```

```
 1 //H30919T JOB (ALD02),'JW DALTON,JR. BIN#26',                          JOB12834
   //         CLASS=B,MSGCLASS=T,NOTIFY=H30919                           00000200
   /*ROUTE PRINT U5704                                                   00000300
   //* $ACFJ219 ACF2 ACTIVE SM1                                             ACF2
   //*
 2 //S1 EXEC SASV608,REGION=7200K                                        00000400
 3 XXSASV608 PROC ENTRY=SASXA1,
   XX             CONFIG=NULLFILE,
   XX             LOAD='*.NULLPDS,VOL=REF=*.NULLPDS',
   XX             SASAUTO='*.NULLPDS,VOL=REF=*.NULLPDS',
   XX             OPTIONS=,
   XX             SORT=4,
   XX             WORK='500,200'
   XX*************************************************************************
   XX*  PRODUCT: MVS SAS RELEASE 6.08  WITH FREE TRIAL OF ASSIST          **
   XX*  DOCUMENTATION: SAS COMPANION FOR THE MVS ENVIRONMENT, VERSION 6 **
   XX*  FROM: SAS INSTITUTE INC., SAS CAMPUS DRIVE, CARY, NC 27513       **
   XX*************************************************************************
 4 XXSAS608   EXEC PGM=&ENTRY,PARM='SORT=&SORT &OPTIONS',REGION=0M
   IEFC653I SUBSTITUTION JCL - PGM=SASXA1,PARM='SORT=4 ',REGION=0M
 5 XXNULLPDS   DD DISP=(MOD,PASS),DSN=&&NULLPDS,UNIT=SYSDA,
   XX             SPACE=(TRK,(1,1,1)),DCB=BLKSIZE=6160
 6 XXSTEPLIB   DD DISP=SHR,DSN=&LOAD
   IEFC653I SUBSTITUTION JCL - DISP=SHR,DSN=*.NULLPDS,VOL=REF=*.NULLPDS
 7 XX          DD DISP=SHR,DSN=SYS3.PROCSORT.V2R1.SAS608.LINKLIB
 8 XX          DD DISP=SHR,DSN=SAS.V608.TS420.LIBRARY
 9 XX          DD DISP=SHR,DSN=SAS.V608.LIBRARY
10 XX          DD DISP=SHR,DSN=SYS3X.DB2.CUR.LOAD
   XX**  UNCOMMENT/SUPPLY YOUR DSN IF YOU NEED TO CONCATENATE SORT LIB
   XX**       DD DISP=SHR,DSN=SYS1.SORT.LINKLIB
11 XXCONFIG    DD DISP=SHR,DSN=SAS.V608.CNTL(BATCHXA)
12 XX          DD DISP=SHR,DSN=&CONFIG
   IEFC653I SUBSTITUTION JCL - DISP=SHR,DSN=NULLFILE
13 XXSASAUTOS  DD DISP=SHR,DSN=&SASAUTO
   IEFC653I SUBSTITUTION JCL - DISP=SHR,DSN=*.NULLPDS,VOL=REF=*.NULLPDS
14 XX          DD DISP=SHR,DSN=SAS.V608.TS420.AUTOLIB
15 XX          DD DISP=SHR,DSN=SAS.V608.AUTOLIB
16 XXSASHELP   DD DISP=SHR,DSN=SAS.V608.TS420.SASHELP
17 XXSASMSG    DD DISP=SHR,DSN=SAS.V608.TS420.SASMSG
18 XX          DD DISP=SHR,DSN=SAS.V608.SASMSG
19 XXWORK      DD UNIT=SYSDA,SPACE=(6144,(&WORK),,,ROUND),
   XX             DCB=(RECFM=FS,LRECL=6144,BLKSIZE=6144,DSORG=PS)
   IEFC653I SUBSTITUTION JCL - UNIT=SYSDA,SPACE=(6144,(500,200),,,ROUND),DCB=(RECFM=FS,LRECL=6144,BLKSIZE=6144,
   DSORG=PS)
20 XXSASLOG    DD SYSOUT=*
21 XXSASLIST   DD SYSOUT=*
22 XXSASPARM   DD UNIT=SYSDA,SPACE=(400,(100,300)),
   XX             DCB=(RECFM=FB,LRECL=80,BLKSIZE=400,BUFNO=1)
23 XXSYSUDUMP  DD SYSOUT=*
   XX**  ADD A LINE LIKE THE FOLLOWING TO CREATE A MACHINE-READABLE DUMP
   XX*SYSMDUMP DD DSN=DUMP,UNIT=SYSDA,DISP=(NEW,CATLG),SPACE=(TRK,(20,5))
   //*S1 EXEC SAS,REGION=8320K                                          00000500
   //*************************************************************** 00000600
   //*                    POBOX.CNTL                                   00000700
   //*************************************************************** 00000800
   //*                FISCAL YEAR 1996                                 00000900
24 //IN       DD DSN=ALB.HQTAL96.ITEM.ALL,DISP=OLD                     00001000
25 //SYSIN    DD DSN=H30919.POBOX.SPEC96.DATA,DISP=OLD                 00001100
```